



**Director of
Central
Intelligence**

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National Intelligence Daily

***Tuesday
24 November 1981***

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CO NID 81-2731X

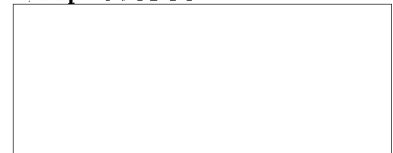
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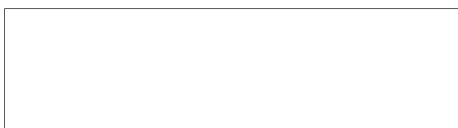


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USSR: Brezhnev's Statement on INF

President Brezhnev's offer yesterday of unilateral reductions in Soviet intermediate-range nuclear forces on the eve of US-Soviet arms talks in Geneva represents little more than a repackaging of two earlier Soviet proposals. [redacted]

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The latest Soviet proposal, while calling for reductions in INF in return for US agreement to a moratorium for the duration of the talks, did not, however, specifically include SS-20s. Moscow contends that the process of replacing SS-4 and SS-5 missiles with the SS-20 already constitutes a de facto reduction, and its offer could, therefore, suggest no more than a willingness to proceed with the dismantling of these two older systems while refraining from additional SS-20 deployments. [redacted]

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The Soviets also may hope that, if they prolong the talks in Geneva, this will ensure that their proposed moratorium ultimately will develop into the renunciation of NATO's INF deployment plans they originally sought in October 1979. Over the shorter term the Soviets may calculate that if they demonstrate sufficient seriousness in the negotiations, certain West European governments might reconsider their support for NATO's deployment plans. [redacted]

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The Soviet paper released on the eve of Brezhnev's departure for Bonn also restates earlier Soviet proposals and arguments on INF. It provides no new data on Soviet forces or on the USSR's count of Western systems. The paper maintains that both Soviet military doctrine and forces are purely defensive in nature and NATO's planned deployment of Pershing IIs and cruise missiles, not the USSR's SS-20s, are the real threat to Europe. [redacted]

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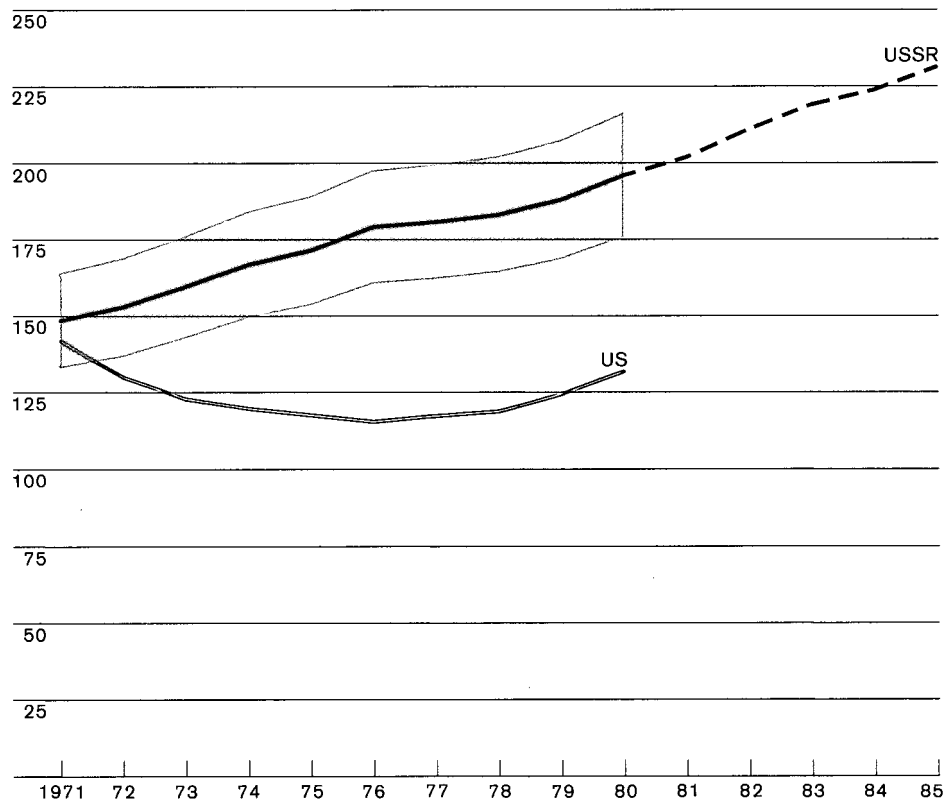
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US and Soviet Defense Activities

A comparison of US outlays with estimated dollar costs of Soviet activities

Billion 1980 dollars



Note: The confidence band in the chart is calculated as ± 10 percent of our estimate for each year.

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USSR-US: Defense Cost Comparisons

A comparison of dollar costs for defense activities from 1971 through 1980 reveals that Soviet costs exceeded US outlays by 40 percent. []

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Dollar cost comparisons give indications of the magnitude and trend of Soviet and US military programs, but do not measure force effectiveness. During this 10-year period, for example, Soviet defense costs grew steadily at an average annual rate of 3 percent, while US outlays declined until 1976 at about 4 percent a year; since 1976 US expenditures also have grown at about a 3-percent rate. Soviet defense costs last year were about \$195 billion--50 percent higher than the US outlays. []

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Soviet expenditures for the decade exceeded US outlays for each major resource category. Their costs for military investment--the procurement of weapons and equipment and for construction--exceeded the comparable US figure by 75 percent. For operating costs, which include expenses for uniformed personnel and maintenance costs for the military establishment, the Soviet figure was 20 percent higher, while research, development, testing and engineering costs were 50 percent larger. []

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The Soviet costs for strategic forces, including offensive, defensive, command and control and warning forces, were more than three times greater than corresponding US outlays. Costs for Soviet general purpose forces--land, tactical air, naval and mobility (airlift and sealift) forces--exceeded the US figure by 60 percent, but US expenditures for support forces were slightly higher than the Soviet outlays. []

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The evidence indicates that Soviet leaders continue to emphasize military force improvements despite mounting economic problems. Costs associated with new ICBM, SLBM, and strategic air defense systems will drive up strategic forces costs, and the procurement of new aircraft for the tactical air forces will account for much of the growth in cost for general purpose forces. Costs for support forces will continue to grow as the Soviets deploy increasingly advanced military systems. []

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FRANCE: Pressures From the Left

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President Mitterrand's decision to ask parliament for powers to implement promised social reforms by decree is aimed at allaying leftist impatience with his government's economic policies.

The Socialist-controlled National Assembly is certain to approve the request. Beginning early next year, the government intends to reduce the work week to 39 hours, institute a fifth week of paid vacation for salaried workers, lower the age for early retirement, and increase business incentives for creating jobs.

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Mitterrand probably will argue that recourse to limited decree powers--a step used occasionally by his predecessors--is necessary to accomplish urgent reform while parliament is bogged down with nationalization and governmental decentralization issues.

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The President's main concern is to stem growing dissatisfaction with government policies within his leftist constituency. There have been scattered strikes and demonstrations from pro-Socialist and Communist unions protesting the government's allegedly cautious approach to nationalization, tax reform, and job creation. Mitterrand probably also hopes to preempt possible moves by leftwing Socialists and Communists for more radical social reforms in the National Assembly.

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The government's move on social reforms will not go far toward meeting the concerns of leftwing critics. Despite Paris's efforts to stimulate rapid economic growth and reduce unemployment,

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gross domestic product will rise only by 1.75 to 2 percent in 1982. Unemployment, which passed the 2 million mark last month, is expected to climb higher.

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The Mitterrand government's room for maneuver will be limited by its continuing desire to encourage new business investment to combat unemployment. Implementing reforms by decree and simultaneously suggesting that more forceful measures are possible, however, will further weaken business confidence in the Socialist leadership.

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CHINA-INDIA: Negotiations Resuming

Negotiations between China and India on their border dispute and other issues will open on 10 December in Beijing. The talks--stemming from Foreign Minister Huang Hua's visit last June--probably will result in prolonged sparring as each side probes for concessions on the border question. New Delhi is linking increased cultural, scientific, and trade contacts with China to progress on the border issue. China's interest in countering the USSR in South Asia and India's desire to gain diplomatic maneuvering room are likely to keep the dialogue alive.

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MIDDLE EAST: Development Plan Postponed

Arab League staffs apparently have removed from the agenda for the Arab summit this week a major new aid plan that was to have added at least \$15 billion to the \$42 billion committed to fellow Arab states by Arab oil-exporting countries at the last three summits. The postponement is forced by Iraq's heavy demands for financial support in its war with Iran. Since the beginning of the conflict, the other Arab oil-exporting states have disbursed at least \$14 billion to Iraq, about double the transfers of both military and economic aid to all other recipients over that period. [REDACTED]

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The postponed regional development scheme has been drafted by Arab League economists after a decade of study. When the plan is reconsidered next spring, League officials plan to reduce the burden on Arab oil-exporting countries by seeking the participation of private investors, banks, and foreign governments on a project-by-project basis. [REDACTED]

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